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"The magic of compound interest is indeed a gift that can keep on giving."

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Edelman Financial Engines®

From here forward.®

VOLUME 30 | DECEMBER 2021

Eyeing early retirement? Ensure you're ready.

Ten questions to consider.

Unprecedented. How many times did you hear this word during the height of the Covid-19 pandemic? From the tragic loss of life to shelter-in-place orders to severe health concerns and even toilet paper shortages, Covid-19 ushered in a wave of unprecedented challenges for us all.

The Covid-19 crisis also triggered a "life is too short" mindset among some Americans – as people reevaluated their priorities. As a result, some Americans chose to retire early or are thinking about it.

The recent rush to retire

In fact, about 2.7 million Americans age 55 and older are considering retiring years earlier than expected due to the pandemic, according to government data. For some, the strain of managing an increased workload or balancing

2.7M

The number of Americans age 55 and older who are considering retiring earlier than expected.

a work-from-home lifestyle caused significant fatigue – leading many to begin preparations for an early exit from the workforce. For others, the desire to "live life to the fullest" triggered the decision to retire.

The significant surge in the stock market and home values caused by the economic fluctuations in 2020 also contributed to the early retirement paths for some. Assets for those aged 55 to 69 increased by $4.2 trillion, and real estate assets increased by nearly $750 billion, according to Federal Reserve data. This bolstered

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AUDIO
Should my daughter sell her home or turn it into rental property?

She is moving away and would need to pay a management company to oversee the property.

Is it best to sell the property and put the money into a diversified, mixed bag of investments and move on to the next thing? Listen to Edelman Financial Engines planner Isabel Barrow give advice to a caller on our weekly radio show.

VIDEO
What to do when a loved one dies

Take care of yourself and consider delaying major financial decisions for six months.

Watch our new video to learn about immediate tasks that may require your attention when a loved one passes.

DOWNLOAD
10 questions to help you get retirement ready

Your Edelman Financial Engines planner can advise you on each of these questions.

Download this checklist, consider these questions and talk with your planner to help prepare your financial picture if you are considering retiring. Save and share this checklist with friends and family!

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Edelman Financial Engines experts in the news

Learn how the pandemic has changed the way people think about retirement.

Read articles and watch videos of our investment management and financial planning experts quoted in the media.

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Eyeing early retirement? Ensure you're ready. *... continued from Page 1*

the retirement funds of many older Americans, allowing them to consider exiting the workforce earlier than previously expected.

Are you retirement ready?

Are you contemplating early retirement? If so, it's essential to holistically evaluate your retirement timing decision before you take the leap. It's not just the financial numbers that you need to consider.

Sure, it can be easy to envision retirement filled with relaxing activities such as lounging on the beach, reading a good book or golfing with friends. However, have you considered whether those activities will fulfill your mental, physical, emotional and spiritual needs over the long term? Think ahead. Once the novelty of retirement wears off, what activities will contribute to your overall happiness? Maybe you'll want to travel the world, continue your education by going back to school, or begin a new hobby.

Review your current monthly spending habits and consider which items you won't need to budget for anymore – line items like commuting, work attire and technology expenses. Then, think about the new areas where your spending might increase, such as travel, new hobbies, or volunteer and charitable activities. Consider all the possible ways you'll want to fill your newly available 40 hours each week to build a realistic future spending plan.

Don't forget about health care. Medicare doesn't begin until age 65 and monthly premiums can be costly. Consider this. A 64-year-old would pay $1,123 per month for a Silver marketplace health care plan, according to ValuePenguin. (Health care premiums increase as you age. This amount is three times more expensive than the monthly cost for a 21-year-old, which is $374.) Health care options between retirement and Medicare coverage could include COBRA, the public marketplace or a spouse's plan.

Planning for retirement can be overwhelming, but also exciting. The Covid-19 pandemic created an environment that encouraged many people to reflect on their lives, consider their values and reassess their priorities. If you're pondering early retirement, consider these 10 questions.

RETIREMENT BY THE NUMBERS

32.9%
A record low percentage of people expecting to work past the age of 67.

1.2M
More baby boomers retired in 2020 than the historical annual average.

2.7M
Workers 55 and older who plan to apply early for Social Security benefits.

Sources: Bloomberg, New York Federal Reserve survey, U.S. Census Bureau

10 questions to consider before you retire

Your Edelman Financial Engines planner can advise you on each of these aspects of retirement and help you prepare your financial picture if you are considering retiring earlier than you previously planned. Sitting down and talking with your planner is an essential step to help ensure that you are retirement ready.

1. What planning have you done to ensure you'll be able to retire early?
2. What activities are you most looking forward to in retirement?
3. What are your current expenses and how will they change in retirement?
4. How do you plan on generating income? (e.g., portfolio withdrawals, part-time work, etc.)
5. What concerns you most about retiring and what steps have you taken to mitigate those concerns?
6. If you retire before age 65, how do you plan on covering your health care costs?
7. Have you paid off your debts other than your mortgage?
8. Have you analyzed the ways taxes may affect your ability to generate the income you need in retirement?
9. What happens to your retirement plan if you or your partner requires long-term care?
10. How does your portfolio need to change now that you are approaching retirement?

Restrain your dog – or keep your checkbook handy

The average bite claim today exceeds $50,000; make sure your insurance policy covers you.

If you're a dog owner, you may be under the assumption that your lovable pooch would never bite anyone. Lots of dog owners feel that way.

Yet, the holiday season brings more opportunities for your dog to meet guests in your home or for them to be in an unfamiliar setting if you are traveling. These situations create the chance that any dog might be startled – and even those that are normally friendly might bite.

If your dog bites someone, you'll be financially liable for it. And it happens more often than you might think. Liability claims related to dog bites and other dog-related injuries (dogs knocking down children, cyclists and the elderly, for example) cost homeowners insurance carriers $854 million in 2020 – up from $802 million in 2019 – according to the Insurance Information Institute and State Farm®.

California continues to have the largest number of claims nationally, at 2,103 in 2020 (down from 2,396 in 2019). Florida was second with 1,235. Nebraska had the highest average cost per claim at $71,243, followed by New York at $66,817.

↑ 12.3%

The 16,991 dog bite claims nationwide in 2020 averaged $50,245 per claim – up 12.3% from 2019.

Dog owners can even be charged criminally if their animals attack and severely injure people. In a 2002 California case, a woman and her husband were tried for second-degree murder after their Presa Canario dogs attacked and killed a neighbor. She was convicted of second-degree murder and her husband of involuntary manslaughter. This was the third time that dog owners were tried for murder in the United States.

Homeowners and renters insurance policies typically cover dog bite legal expenses up to the policies' personal liability limits (typically $100,000 to $300,000). But if the claim exceeds the limit, the dog owner is responsible for all damages above that amount.

If you own a dog (or even if it's the other way around), make sure you have adequate insurance protection. If you want coverage above the normal liability limits, you should also have an umbrella policy – one that covers anything your other policies don't.

You might even check with your insurer before you get a dog, because some insurers won't cover certain breeds. Others require owners to sign liability waivers for bites, while still others charge more for owners of breeds such as pit bulls and Rottweilers.

If you have concerns that your dog has behavioral problems, your first stop should be your veterinarian, who can advise you whether medication alone will suffice or whether the dog should be taken to an animal behavior specialist.

FIVE STEPS YOU CAN TAKE TO REDUCE THE LIKELIHOOD OF YOUR DOG BITING SOMEONE:

1. Ensure that your dog's breed is appropriate for where you live and for your lifestyle.
2. Be especially careful when your dog is around children; they should never be left together unsupervised.
3. Enroll your dog in an obedience class.
4. Keep your dog on a leash when in public and in a safe, contained area at home.
5. Socialize your dog by letting it visit other dogs at a dog park.

Explore more online: "Top states for dog bites 2020." Find this in the December digital issue at **ipf.EdelmanFinancialEngines.com**.

Social Security Trust Fund shrinking faster than expected

You can begin receiving benefits as early as age 62. But should you?

You probably knew the Social Security program faced challenges, but you may not have known how soon these problems could become a reality.

The Social Security Trust Fund is projected to be exhausted in 2034, a year earlier than previously expected, as the impact from Covid-19 continues to ripple through the economy, according to the 2021 Social Security Trustees report. This means that either benefits will have to be cut or revenues will have to be raised from somewhere.

During the Covid-19 pandemic, many Americans faced periods of unemployment, some older Americans chose to retire early, and millions of women left the workforce due to lack of child care or the increased demands from remote school. That all added up to less revenue from the Social Security payroll tax.

PAYROLL TAX FUNDS SOCIAL SECURITY PROGRAM

You may know that a payroll tax funds the Social Security program. The current Social Security tax rate is 6.2% paid by your employer and 6.2% that comes out of your paycheck on earnings up to $142,800. Self-employed folks must shoulder the entire 12.4% tax on their own.

If employed by company:

6.2% paid by **employee**

6.2% paid by **employer**

If self-employed:

12.4% paid by **employee**

The less revenue collected by the Social Security Administration via the payroll tax, the more the SSA must rely on money from the Social Security Trust Fund to pay out benefits. The reduced American workforce over the past two years during the Covid-19 pandemic took its toll on the Social Security Trust Fund.

What does this mean for you? When the Social Security Trust Fund is depleted, the government will rely strictly on the revenue from payroll taxes to pay out benefits. Currently, the Trustees say the program will be able to pay 78% of scheduled benefits – unless Congress acts to make up the shortfall. That means Social Security would only pay out 78 cents for every $1 of benefits.

Since it now looks like the Social Security Trust Fund will run out of money in 13 years, unless Congress takes action, some people are wondering whether they should claim benefits as soon as they can.

You can begin receiving benefits as early as age 62. But for every year you wait, your benefit increases, and you can earn delayed retirement credits of up to 8% each year from your Full Retirement Age to age 70. On that basis, it seems logical to wait until age 70. But 95% of retirees don't wait: Only 5% begin their benefits at age 70 and nearly a third (30%) start taking their benefits at 62.

So, when is the best time to start receiving benefits? The answer depends on how long you will live. The crossover occurs at about age 80: By then a person starting at age 70 will have cumulatively collected more from Social Security than someone who started at age 62.

That's why we used to say that you should delay starting your benefits until age 70 if you plan to live beyond age 80. But with the pressures facing Social Security, we wondered whether we needed to change that advice. So we built numerous "what if" scenarios, creating and then adjusting "levers" for such factors as:

- age (and ages of married couples, including, importantly, the difference between their ages);
- income;
- work history;
- life expectancies;
- tax rates;
- projected investment returns; and
- survivor income needs.

After extensively analyzing the data, we concluded that the advice we need to provide you today is … the same as what we've been saying for the past 35 years. In general, you should delay starting your benefits until age 70 if you plan to live beyond age 80. However, regardless of what spreadsheets might reveal, remember that your personal factors might outweigh the math.

What to do when a family member dies

Take care of your emotional needs first.

When someone you love dies, the job of closing out his or her personal, financial and legal affairs might fall to you. It's a stressful task – typically involving an avalanche of paperwork – and it typically comes at a time when you're least prepared to handle it.

This tends to happen to women more often than it does to men. Why? Because women are almost twice as likely to lose a spouse to death.

Among those 75 years of age or older who have ever married, 58% of women have experienced widowhood compared to just 28% of men, according to the U.S. Census Bureau.

And the job of managing a decedent's affairs can be even more challenging if the surviving spouse has not handled the family finances before.

So where and how do you get started? The short answer: Take care of yourself first. Consider delaying all financial decisions for at least six months. During this time, devote yourself to your grief and to your family. Spend time with loved ones – not lawyers, accountants and bankers.

Of course, some things need to be handled right away. You may take the lead in planning the funeral and then hand off the financial details to the executor. Or you may be the executor.

If you're the executor, enlist the help of three specialists: an estate attorney, your financial planner and the deceased's accountant.

(Some states let you appoint co-executors who have special expertise to work with you.)

It's impossible to provide an all-inclusive checklist for handling the details when a loved one dies because each family situation is different and legal requirements vary from state to state. We provide a basic 10-point checklist to help you get started (see next page).

One final note of caution: When preparing your loved one's obituary, avoid giving information that thieves could use fraudulently, such as the decedent's date of birth, mother's maiden name or street address. Don't put in an obituary any information that a thief might use to open a bank or credit card account.

10 ITEMS TO CONSIDER WHEN A LOVED ONE PASSES AWAY

1.

Determine whether the deceased engaged in funeral planning.

Many Americans these days do pay in advance for their own funeral and burial services. This helps to ensure all their wishes are carried out and eases the burden on their family because many decisions will already have been made.

2.

Locate important documents, including original wills, trusts, deeds and titles to real property, Social Security cards, marriage and birth certificates, honorable discharge papers and recent tax returns.

3.

Order at least 10 copies of the death certificate.

Most institutions you'll deal with will require one. You can get them at the funeral home for a nominal fee or from your state's health department.

4.

Notify the post office, utility companies, credit card companies, banks and other businesses of the death so that recurring charges are stopped.

Have the deceased's mail forwarded to you. Cancel the decedent's driver's license with the state's motor vehicles department.

5.

Inform the professionals.

Tell your financial planner, estate attorney and the decedent's tax preparer (and perhaps your own as well if you have a different one). Make sure each is aware of the others – as teamwork is essential. Before any work begins, find out what all estate settlement fees will be.

6.

Gather all insurance contracts.

Examples include life, homeowners, auto, disability and Long-Term Care insurance. Inform the agents or insurance companies of the death. They may send you information and documents so you can cancel coverage no longer needed or begin the distribution of benefits.

7.

Call the deceased's current or former employer to learn about retirement plans, pension benefits, health and life insurance coverage, and other employee benefits the spouse/beneficiaries might be entitled to.

8.

Contact the Social Security Administration and start the claims and benefits process for the surviving spouse.

This can be expedited by making an appointment at your local office. Ask what you should bring to the meeting. This will usually include proof of death, proof of age and dependency of children, proof of marriage and proof of divorce if applicable. Social Security pays a one-time death benefit of $255 toward burial expenses if there is a surviving spouse or children. Your funeral director can complete the application and apply the amount toward your bill. If the deceased has minor children, they may be entitled to receive Social Security benefits, so be sure to ask. And if the deceased had been receiving Social Security benefits, talk with the SSA before you cash any check you receive after the death.

9.

Compile a list of the deceased's assets, including bank and investment account statements, real estate holdings, collectibles, vehicles and other assets.

If documents were not kept at a central location, watch the mail and save every envelope that appears to be financially related. Later, you or a family member can review the paperwork.

10.

It can take several months for credit agencies to be notified of a death, so send copies of your loved one's death certificate via certified mail promptly to the three major credit reporting agencies – Equifax, Experian and TransUnion.

Include papers certifying that you are the executor, or the person authorized to represent the decedent; the decedent's full name, date of birth and Social Security number; the decedent's most recent address; and the date of death. Ask the credit bureaus to put a "deceased – do not issue credit" alert on the person's credit files.

SINGULARITY

Innovation is progressing rapidly. That's why we include exponential technologies in most of our clients' portfolios. See how these innovations might soon change our lives.

Spider's lethal venom could one day help heart attack victims

Experimental drug derived from it could also extend donor hearts' viability.

Venom from one of the most dangerous spiders in the world could one day lead to a new class of drugs to help heart attack victims in at least two ways.

Most spiders use their venom to immobilize or kill prey. Australian researchers from The University of Queensland and Sydney's Victor Chang Cardiac Research Institute are trying to develop a drug derived from the venom of the Fraser Island funnel-web spider that blocks a nerve signal from the heart in the wake of a heart attack that causes heart cells to die.

No drugs in current use prevent the damage caused by heart attacks, the scientists said. The venom protein, called Hila, could also help victims in a second way. That's by treating donor hearts in order to increase the distance they can be transported, thus improving the likelihood of a successful transplant. The study findings were published in the journal *Circulation*.

If a donor heart has stopped beating for more than 30 minutes before retrieval, it can't be used, but if the drug could buy even an extra 10 minutes, it could make the difference between someone having a heart and someone missing out on one, according to Peter Macdonald, a professor at the Chang institute who is one of the study's authors.

Venomous creatures other than spiders are also being studied for medical purposes. One diagnostic drug now in development uses the venom of the Israeli deathstalker scorpion and an infrared dye to find and illuminate tumors. It has gone through safety testing and early clinical trials to view brain tumors in children.

The Australian funnel-web spider has large fangs that are capable of penetrating fingernails and soft shoes. The research involving its potent venom is in early stages. The drug derived from it has been tested on beating human heart cells exposed to heart attack stresses to see how well it raised their chance of survival. Researchers expect to begin human clinical trials in the next two to three years.

Cardiovascular diseases are the leading causes of death worldwide. More than four out of five cardiovascular deaths stem from heart attacks and strokes, and a third of them occur in people younger than 70 years old.

- **A Norwegian company called Yara International claims to have created the world's first electric cargo ship that can also navigate autonomously.** The Yara Birkeland was first conceptualized in 2017 but now is expected to make its first voyage with no crew members aboard between two Norwegian ports later this year. Loading and unloading it will require humans at first, but eventually all operations will use autonomous technology, the company says.

- **A wearable brain imaging system installed at Toronto's Hospital for Sick Children uses quantum sensors to conduct research into autism.** U.K. technology hub researchers use the device to measure magnetic fields above the scalp of children who have a greater chance of developing autism because they have autistic siblings. The volunteer kids (age 12 months and older) will be scanned regularly to look for differences in developing brain function between those who develop autism and those who don't.

- **Growing tomatoes requires more than soil, water and sunlight.** The plants need help getting the pollen to drop onto the female organ of the flower and trigger the process. This is normally the job of bumblebees, but that could change with AI-powered robots developed by Israel-based startup Arugga. The robots blast air pulses at flowers, mimicking the bumblebee action. Results are on par with the bees and in some cases up to 5% better.

How much will you spend on gifts this holiday season?

Americans give clothes more than any other gift items.

Unless you have a college student, the upcoming holidays will likely take the biggest chunk out of your consumer spending events for the year. Parents sending a child off to college opened their wallets and spent an average of $1,200 on back-to-college items in 2020, the National Retail Federation said. Spending on winter holiday gifts came in a close second at $998, the NRF said. Back-to-school season ranks third at $849. Then, Mother's Day ranks fourth at $220 and Easter rounds out fifth place at $180.

What types of gifts are people giving? See sidebar: *Holiday gifts Americans plan to give*. Looking for gift ideas? Instead of giving a sweater or the latest video game to your grandchild, check out this companion article: *Want to give a gift that can keep on giving?*

HOLIDAY GIFTS AMERICANS PLAN TO GIVE

54% Clothing

49% Gift cards

37% Toys

34% Books and other media

28% Food and candy

26% Electronics

24% Personal care items

20% Home décor

19% Cash

18% Jewelry

Source: National Retail Federation, 2020 data

Want to give a gift that can keep on giving?

You can fund a Roth IRA as a gift as long as the recipient earned as much as your contribution.

One of the secrets to teaching kids and grandkids about money is creating the opportunity for them to handle it responsibly, which includes watching potential growth. During this season of giving, consider funding a Roth IRA for a child or grandchild in your life.

The magic of compound interest is indeed a gift that can keep on giving. Want to know how fast money can double in value? Consider the Rule of 72. This is a formula that shows you how long it could take for your investment to double in value based on a positive rate of return.

72 / Rate of Return on Investment (Interest Rate) = Years to Double

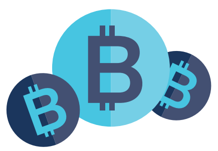
Based on this formula, let's say you plan to give $5,000. At an interest rate of 8% it would take nine years to double that money to $10,000 (72/8=9).

Gifting funds for a Roth IRA is a great way to give your loved ones a head start on building a tax-free fund for their retirement and a tangible way to show them how money can work for you.

If you are giving Roth IRA funds to a minor, the IRA must be in the minor's name as well as the custodian's name. Generally, if your giftee is not a minor, you'll need to ask them to open the Roth IRA themselves. But you can give them the money to fund the account.

It's important to remember that the recipient must have earned income that is at least equal to the amount you give. So, if your grandchild earned $1,500 babysitting, scooping ice cream or mowing lawns, you could give them $1,500 to fund a Roth IRA. The maximum amount you can contribute (for people younger than the age of 50) is $6,000 in 2021. Your Edelman Financial Engines planner can provide more information and answer questions about this process.

This is a hypothetical illustration meant to demonstrate the principle of compound interest and is not representative of past or future returns of any specific investment vehicle. They do not include consideration of the investment fees or expenses, time value of money, inflation, fluctuations in principal or taxes.



LOST BITCOIN PASSWORD

Q. I have Bitcoin in an account, and I've forgotten the password. I have a 12-word mnemonic password to help me create a new wallet, but it isn't allowing me to put the password in there. So I don't know who to call at the cryptocurrency wallet company and I can't seem to chat with anyone on the company site.

There are two distinct issues here. One is the 12-word code, which is the private key they provide to give you access to your bitcoins; the other is online access to the site itself. You need to reach someone at the company where you opened the account because if you're not able to gain access into the site, there isn't much recourse or solution.

Many of these organizations are understaffed, have very limited customer service functionality and are an automated operation, but do your best to reach a human who can assist you. There are a great many exchanges, online sites and phone apps that are not well funded and are operating minimally, so when something goes wrong, it can be a challenge to resolve it.

Which is why we argue that choosing the coin you buy – whether it's Bitcoin, Ethereum, Litecoin or Chaincoin – is not as important as where you buy it from. Because you want to know that you will be able to access your account and your wallet, and ultimately the coins themselves.

Of the more than 18 million bitcoins that have been produced since their inception in 2009, it's estimated that about 4 million of those bitcoins have been lost – a pretty big number of lost wealth. In the world of digital assets, safety and protection of your passwords, your keycodes, your private key, and access to the sites is of paramount importance.

GIFT TAX AND LIFETIME EXEMPTION

Q. If I give my son more than $15,000 in a particular year to buy a house, I know I must file Form 709. But do I have to then immediately, or in that upcoming year, pay gift or estate tax on that amount? Or does it apply to my total lifetime exemption that is to be determined at some point in the future?

This is a very nice gift that you're going to give your son. Let's look at the basics of gifting. You can give anyone $15,000 a year – whether it's your son or any other individual who isn't related to you – without it impacting any type of estate exemption or lifetime gift limit, and without incurring any taxes to you.

If you're married, you can give $15,000 and your spouse can give $15,000. And if your son is married, you can give his wife $15,000 and your wife can give his wife $15,000. And if they have two kids, guess what? You can give the kids $15,000 and your wife can give $15,000. You can see how you can get to a much larger amount without it impacting any gift tax numbers or limits.

Does it affect your lifetime exemption? And do you have to pay taxes on it if you give more than that total amount? If, as noted, you and your wife each give $30,000 to your son, $30,000 to his wife, $30,000 to grandkid one and $30,000 to grandkid two, that's a total of $120,000. In this case, as long as you file Form 709, you can give that money to them without it incurring any gift taxes or having any other type of impact on your overall estate planning.

But let's say you decide you want to give them $160,000 or $200,000. If there aren't special circumstances and you file Form 709, any amount you give over $15,000 each is going to go against your lifetime exemption of more than $11 million.

So, the simple answer is yes, you can give the $15,000, and you will not incur gift taxes. You don't even have to report it. If you give any more than that amount per person, though, you need to report it and the extra amount will go against your lifetime exemption, unless you choose to pay the gift tax on it now.

We recommend, of course, that before you give a gift of any amount, you sit down with your financial planner and your accountant and make sure you're not giving more than what you can afford to give over your lifetime, and you are doing so correctly from a tax perspective.

Neither Financial Engines Advisors L.L.C. nor its affiliates offer tax or legal advice. Interested parties are strongly encouraged to seek advice from qualified tax and/or legal experts regarding the best options for your particular circumstances.

RETIREMENT CONTRIBUTION

Q. I recently completed graduate school and started working in my first full-time position. My company offers a 2% match on 100% and an additional 4% match on 50% for my retirement. How much should I contribute? Should I only contribute the 6%, since that's the total amount my company will match?

What's the goal of saving in a retirement account? The goal is to create the maximum amount of wealth possible. And the way you do that is by investing the maximum amount of money – because we can't be sure what the rate of return is going to be.

What we can control is how much we save, and how early and how often we save. So the person who saves the most money is often the person who ends up with the most money, altered of course by the rates of return you get.

Forget about what the boss does. You need to put in the maximum that you are able. Whatever you get from your employer is icing on the cake, and you'll end up with greater wealth.

We wish you the very best. Everybody your age should pay as much attention to their retirement plan as you. It will serve you well.

INHERITED STOCK

Q. My mother is 89 years old, divorced, in good health and she lives alone. She holds 9,000 shares of one company's stock. This holding originated from a few hundred shares given to her father, and we figured that the cost basis is virtually zero. The stock represents about one-third of her total investment portfolio that's valued at approximately $1 million. The quarterly dividend yield is approximately 5%. With her additional income and assets, she does not necessarily need the company stock dividend. My brother and I are the sole beneficiaries of her estate. Assuming she lives another 10 years, would it be best to sell off the stock over some defined period, all at once, or keep it so we can take advantage of the step-up in basis?

This is a very vexing question. We don't know when your mom is going to die. You said she's 89 but in very good health. Your mom could easily live another 10 or 15 years. You don't know what the tax law is going to be like at that time. We don't know if the step-up in basis will exist. The Biden administration has threatened to eliminate the step-up in basis, meaning that the taxes would apply whether you sell the stock prior to her death or following it.

We do not believe that you should let the tax tail wag the money dog. In other words, if your only motivation for keeping the stock is to avoid the tax on the sale, that's not a good enough reason to keep the stock.

In the meantime, you've also got to consider whether this is the best stock to own as opposed to a broader, diversified portfolio of stocks, which would clearly be lower in risk and potentially offer an even better return.

You are facing concentration risk, a huge amount of money in a single stock. That is not prudent. So, you might sell the stock, pay the tax and move on, because the alternatives are simply unknown and risky and it may not be, on balance, a fair equation. You should probably sell the stock and diversify the proceeds, but be sure to check with your Edelman Financial Engines planner first to see whether this is right for your particular situation.

What rate of return do you expect from the stock market?

Beware. Sometimes expectations don't match historical long-term averages.

Is your glass of water half full or half empty? It turns out that many Americans say their glass is half full or even overflowing as it relates to expectations around investment returns.

We aren't knocking optimism, but it is important to temper one's enthusiasm around investment returns in order to avoid disappointment. Here's why.

American investors expect to earn an average long-term investment return of 17.5%, according to the Natixis 2021 Global Survey of Individual Investors.

Coincidence? Or maybe not.

Interestingly, that 17.5% return expectation nearly matches the 2020 annual return in the S&P 500 at 18.4%.

So, what's the problem? Since 1926, the S&P 500 average annualized return has been about 10% per year. But investors are expecting to get 17.5% per year – and that is after inflation!

How could expectations be so out of whack? Behavioral finance experts point to a phenomenon called "recency bias" as the culprit. This simply means that our minds focus on most recent events and expect them to continue in the future.

Sure, the stock market has at times generated outsized double-digit annual returns. It does that from time to time. We experienced that during 2020. But that's not historically "normal." On average, over long periods, the stock market has historically produced an average annual return around 10% per year. We don't suggest that past performance guarantees future results. We simply want to shine a light on historical norms to help investors who have outsized expectations avoid disappointment.

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Best wishes for a healthy and happy holiday season!

Please let us know whether you have experienced any changes in your financial situation or investment objectives. This information will help your Edelman Financial Engines planner discuss potential account adjustments with you.

Also, let your planner know whether you expect any major changes in your life in 2022. Thinking of selling your house? Might you change jobs? Buy a car? Anyone in the family having a baby or adopting one? Big events can often offer big opportunities – and pitfalls. Call us, and let's plan ahead!

As always, feel free to contact your Edelman Financial Engines planner anytime. Thank you for the privilege of serving you and your family, and may the new year bring you health, wealth and happiness.

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